

AR52

Campbell Soup Company Ltd

Annual Report 1985



The Campbell Mosaic

The Campbell Mosaic

The mosaic design of our cover is intended to symbolize the fact that a successful company, like an attractive work of ceramic art, is created through the interplay of many small parts and many individual actions. So it is with Campbell Canada. Our success in the past year is due largely

to the combination of efforts by many employees – not just to the “star” performances of a few. Our growth depends not only on the flashy achievements of a few products that will

soon fade, but on the production and marketing of a broad combination of foods of the highest quality. With these, we will continue to meet – and respond to – the ever-changing needs of Canadian consumers.

Commitment

Campbell Canada's significant achievements of the past year can be attributed in no small way to the attempts by all employees to consistently apply the three Core Values which were enunciated publicly for the first time last year:



A profound respect for people



An obsessive desire to satisfy our customers and consumers



A passion for creative risk-taking

As you read this report, you will note that we have attempted to illustrate the actions which embody each of these Core Values with the appropriate symbol. They are but a small sampling of the efforts of many of our people to move the Company

towards realizing its Vision of becoming “a dynamic market-oriented growth company, excelling in the ‘well-being’ business.”

Financial Highlights

	52 weeks ended July 28, 1985	52 weeks ended July 29, 1984	% Change
Income Statement (\$000's)			
Sales at list	321,521	294,222	+ 9.3
Net sales ¹	290,797	265,053	+ 9.7
Earnings before extraordinary item	12,475	10,836	+15.1
Net earnings	10,946	10,231	+ 7.0
Financial Position (\$000's)			
Working capital	68,717	61,742	+11.3
Shareholders' equity	80,354	73,533	+ 9.3
Total assets	130,920	123,142	+ 6.3
Per Share			
Net earnings	\$ 1.46	\$ 1.36	+ 7.4
Book value	\$ 10.71	\$ 9.80	+ 9.3
Key Ratios			
Return on net sales ²	4.3%	4.1%	
Return on average shareholders' equity ²	16.2%	15.5%	
Current ratio	3.85:1	3.63:1	

¹Net sales exclude off invoice price promotions, outbound freight, cash discounts, and sales returns and allowances.

²Calculations are based on earnings before extraordinary items.



Corporate Profile

Campbell Soup Company Ltd is Canada's largest producer of soups and a leading packaged food company. The Company:

- has its head office in Etobicoke, and has eight manufacturing plants, three mushroom farms, one poultry farm;
- produces more than 250 products, under the brand names Campbell's, Franco-American, Swanson, Pepperidge Farm, Allen's, and Mitchell's, "V-8", Gattuso, Bisto, A-1, Paterson's and Paxo;

■ is a public company with 30 per cent of its equity traded on the Toronto, Montreal and Vancouver stock exchanges, under the ticker symbol CSC.

Fiscal 1984 was a year of transition. It was a year in which each of our major product lines moved from a position of decline to a position of growth. We began implementing a new corporate strategy designed to achieve ambitious growth objectives; and we enunciated a corporate philosophy embracing three Core Values (reviewed on the inside front cover).

In fiscal 1985, those early signs of success have blossomed into full-blown achievements – measurable and otherwise. We find it especially gratifying to observe that this success stems not just from the performance of one or two spectacular products or activities but from a whole myriad of high-quality brands

and actions as illustrated in our cover design.

The following table illustrates our progress this year against our long-term financial objectives:

	Target	Performance	
		1985	1984
Earnings			
Growth (%)*	+15	+15.1	-9.1
Real volume			
growth (%)	+6	+4.5	+4.0
Average			
return on			
equity (%)*	18	16.2	15.5

*before extraordinary item

Without a doubt, these results could not have come about without extraordinary dedication on the

Letter to Shareholders



part of everyone at Campbell Canada.

Nowhere was this attitude more evident than among members of the Company's Management Committee. With support from employees of uncommon loyalty and initiative, my colleagues on this Committee made exceptional contributions throughout the year which have been reflected in our financial results.

John Cassaday, Senior Vice President – Marketing and Sales, completed the rejuvenation of our marketing group, transforming it into the very sort of aggressive and responsive team demanded by today's competitive marketplace. Thanks to their creative attacks on marketing problems (see page 7), this group deserves much of the credit for the gains Campbell Canada made in fiscal 1985. In addition, working with Charles Gower, Vice President – Sales, John Cassaday has completely restructured our sales force, so that it is even more closely aligned to our customers and can react more adroitly to their needs (see page 8).

Godfrey Drover, Senior Vice President – Operations and his team of managers adopted a "can do" attitude towards the formidable task of consolidating our two Ontario apple juice and vinegar plants into our existing Chatham plant under very tight time constraints. Not content with the substantial savings in the overhead

which this consolidation represents, they now are working with the Management Information Systems Group to improve our logistics and inventory control systems as well.

John "Hi" Grisdale, Senior Vice President – Administration and Corporate Services, demonstrated, as always, a rare combination of sage experience and creative problem-solving – witness the success and growth of Campbell's mushroom farming operations (see page 18). This unit was expanded early in fiscal 1986 with the purchase of a mushroom farm in Oakville, Manitoba.

Tom Peddie, Vice President – Finance, has recruited several bright, eager managers into key roles who are working with a strong group of experienced staff. They are completely revamping the Company's information, financial and administrative systems (see page 13). This will have a significant impact on both our costs and the quality of management decisions for years to come.

Peter Barkla, Vice President – Human Resources, has played a vital part in opening up our system of internal communications. He has adopted many new techniques – among them the fast-growing series of "quality circles" (see page 10), through which dozens of Campbell employees are proving their remarkable capacity for practical problem-solving.

Late in the year David Lewis joined us as Vice President – Corporate Development. Besides overseeing the CanVin and Gattuso operations, David is busy scouting acquisitions that will

enable the Company to grow faster and to diversify its business base (see page 12).

Collectively, these people form the Management Committee and share with me the responsibility for the strategic direction as well as the day-to-day operating management of Campbell Canada. Their efforts, combined with the support, initiative, and hard work of all employees, have resulted in a year of outstanding achievement for which all can take credit.

Achievements Operating profits in fiscal 1985 increased 15.1 percent to \$12.5 million, or \$1.66 per share, before the extraordinary cost of consolidating the Ontario apple juice and vinegar operations. Even after those costs, profits amounted to \$10.9 million, or \$1.46 per share, a 7.0 per cent increase over profits in 1984. In the fourth quarter of 1985, net earnings increased by a healthy 39.7 per cent to \$3.3 million, or 44 cents per share – gains attributable to improved gross margins and higher sales volumes.

Sales at list for the year increased 9.3 per cent to \$321.5 million, with fourth quarter sales up 3.2 per cent, to \$67.1 million. Showing the largest percentage sales increases on a volume basis were Le Menu, which was sold

nationally for the first time this year (up 638 per cent), Prego (up 47 per cent), Chunky soups (up 10.5 per cent) and "V-8" juice (up 11 per cent). Pepperidge Farm pastries and cakes were ahead 4.0 per cent and Red & White soups were ahead 2.9 per cent.

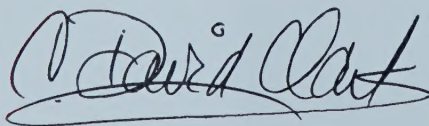
Consistent with our long-term strategy Campbell Canada continued to make heavy expenditures on both marketing support and capital equipment. The decision to increase our annual expenditures on marketing to \$42.9 million – almost double what they were three years ago – was thoroughly vindicated by continued increases in market share for our major existing brands and by the spectacular success of such new products as Le Menu and Prego Spaghetti Sauce.

Expenditures on capital equipment to maintain and improve product quality and productive efficiency amounted to \$6 million in fiscal 1985 compared to \$3.5 million in 1984. In addition, our acquisition in August 1985 of the mushroom operation in Oakville, Manitoba will increase the Company's capacity to provide western markets with Campbell Farm Fresh Mushrooms of the highest quality.

Financial Condition The Company maintained a strong balance sheet. The ratio of debt to capitalization stood at 18.6 per cent at year end, even better than last year's 19.9 per cent. We are in the enviable position of having the internal resources to finance substantial external growth.

Outlook Our directors and management view 1986 with great optimism. We are confident that the Company will continue to outperform the industry, since many of the initiatives taken over the past three years provide the basis for continued growth and higher profits. We have a number of products with good potential and are actively looking for acquisitions which will inject even more growth.

We enter the second half of the decade with many new capabilities combined with our historical strengths – human and otherwise – some of which are featured in informative articles elsewhere in this report. We believe the facts, figures and events you will find related in these pages are strong evidence that Campbell Canada is taking shape as "a dynamic, market-oriented growth company." As such, it is superbly equipped to serve the Canadian food industry and the Canadian consumer throughout the 1980's and beyond.



C. David Clark
President
and Chief Executive Officer

October 1, 1985

Ack

Pursuing the Vision

In attempting to become one of the top five per cent of all Canadian packaged goods companies, Campbell Canada recognizes that there is no substitute for financial success. At the same time, management has resolved never to lose sight of certain less-tangible goals fundamental to its corporate philosophy.

ievement

Skeptics who wonder whether the Campbell Vision and the supporting Core Values amount to anything more than corporate rhetoric are invited to examine the evidence of how they have guided and inspired the Company's management and employees over the past 12 months. On pages 6 through 13, readers are offered verbal sketches

of Campbell people in action – winning awards for unusual initiative, inventing new ways of relating to Campbell customers, opening up new channels of internal communication, and facing the difficult challenges of a fiercely competitive marketplace.

These accounts are offered for the first time in a magazine-style format – yet another departure from tradition for a Company that is changing rapidly in response to the needs of the 1980's. We have not, however, neglected the hard information to which every shareholder is entitled. Beginning on page 14 the reader will find detailed accounts of each of the Company's business operations, followed by the traditional financial statements and explanatory notes.



Capitalizing on Creativity



In marketing, sales, production, product development – you name it: if the potential reward outweighs the risk of failure, and if the odds favour success, management will respond in three words – “Let’s do it!”

Creative achievers win special recognition

Q: What do physical fitness, mushroom sales and the production of pork and beans have in common?

A: Awards. In fiscal 1985, four employees working in those areas won President’s Awards.

Consisting of a certificate and a gold ring with a diamond inset, the President’s Award is made to employees who have demonstrated outstanding initiative, who have had an innovative idea that will benefit the Company, and who have pursued that idea single-mindedly without fear of failure. The winners:

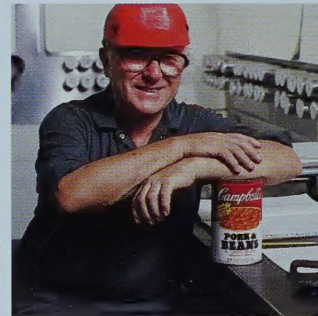
■ Renée Cairo and Rosa MacLeod, fitness buffs from the Toronto Head Office, led the effort to raise money to equip and set up a fitness centre for employees. They raised money initially through fitness draws, and then applied for a matching Wintario grant. The Company, already committed to improving the physical well-being of Canadians everywhere, put up the balance of the money that was needed. Today, the fitness centre in the plant has exercise classes led by Renée and Rosa for all interested employees three times a



Rosa MacLeod (left), Accountant, and Renée Cairo (right), Assistant Manager, Transportation, in the Toronto fitness centre they worked hard to organize and equip.



Nadia Shewchuck, Sales and Office Manager at the Portage la Prairie mushroom farm, ensured the success of store-door sales in Manitoba.



Erich Morgenroth, Senior Leader in Maintenance, Toronto, made it possible to produce 50-ounce cans of pork and beans.

week after work. In addition, the equipment is available for use by all employees throughout the week.

■ Nadia Shewchuck, Sales and Office Manager at the Portage la Prairie mushroom farm, took it upon herself to ensure the success of the Company’s new thrust for selling mushrooms directly to retailers rather than to wholesalers only. On her own time, she regularly visited many retail stores in Portage and as far away as Winnipeg, 80 km distant, to make sure mushrooms were being delivered in sufficient quantities and were still fresh while on display. She was quick to report back any problems and see to it that they were resolved.

■ Erich Morgenroth, Senior Leader in Maintenance, Toronto, devised a way to utilize existing equipment to produce 50-ounce

cans of pork and beans which had been ordered by Campbell Soup Company of Camden, New Jersey. His initiative reduced capital outlays for the project and made possible a substantial and profitable intercompany business.

In addition to those four leading awards, President’s Citations have been presented to eight Campbell employees for outstanding initiative and effort of various kinds: Sean Ganley, Area Manager – Warehousing; James Hanna, Manager – Planning and Sales, Portage la Prairie; Warren Lundy, Manager – Human Resources Administration; Brock McAllister, Purchasing Agent; Lori Slessor, Sales Secretary; Duffy Smith, Assistant Purchasing Agent; Dennis Richardson, Area Mechanic, St. Marys; and George Willerton, Area Manager – Vegetable Preparation.

Calorie-Reduced soups: an all-Canadian success story

Campbell Canada's Research and Development and Marketing teams are continually coming up with ideas for new products and line extensions. From experience they know that only a small proportion of their innovations will stand up to rigorous consumer testing and end up on retail shelves.

One exceptional success is Calorie-Reduced soups. The Company began working on the idea in 1981. First came market studies showing that consumers would buy low-calorie foods provided they were nutritious and good-tasting. Next came product development to come up with a product containing half the normal number of calories yet maintaining essential "flavour impact" and "mouth feel." From taste tests that followed, the researchers got indications that the idea was a winner. But only time – and market experience – would tell.

The first such soups – Tomato, Vegetable, Cream of Mushroom, Cream of Celery and Chicken Noodle – reached the stores in the fall of 1984. With prospects still looking good, the new soups "went national" in 1985. Finally, sales numbers confirmed what everybody at Campbell had hoped for – and more. Calorie-Reduced soups had exceeded their sales target by 15 per cent.

Now the Company intends to build on this success by adding another new variety to the line in January.

Meanwhile, even the product's

advertising has proved to be a winner: television advertising for Campbell's Calorie-Reduced soups won a citation for excellence at the annual Canadian advertising awards.



Two of Gattuso's successes: Instant Snack in a Cup and Shang-Tai Wonton Soup.

Gattuso snacks an instant success

Steve Bernstein, General Manager – Gattuso, Montreal, has found it pays to keep a sharp eye open for new product ideas.

In California he came across two ideas that were subsequently developed and profitably launched by the team at Gattuso:

Instant Snack in a Cup is a noodle-based snack packaged in its own styrofoam cup. When boiling water is added, the cup's contents are transformed into a delicious and filling mini-meal in any one of eight flavours – Macaroni and Cheese, Chicken, Beef, Pork, Italian, Spaghetti and Tomato, Oriental, and Shrimp.

Shang-Tai Wonton Soup, also brought to life with boiling water, comes in four flavours – Pork, Chicken, Beef and Vegetable.

Not surprisingly, Bernstein and his colleagues are now looking harder than ever for other product ideas.



New Swanson dinners were launched into the large Ontario market.

Swanson marketers throw away the rule book

According to the rule book, new products should be carefully test-marketed before making a full-scale introduction backed by advertising support.

But Campbell marketers are convinced there are times when the rules should be ignored in favour of a strong hunch, founded on a solid understanding of the consumers' needs.

The new, improved Swanson dinners are a case in point. In a new microwavable tray, these upgraded dinners are designed to please people who want a high-quality convenience meal in the mid-price range.

Faced with mounting competition from both domestic and U.S. manufacturers, the Company decided to launch the new Swanson dinners directly into Canada's largest frozen food market – Ontario. That decision exemplifies the Company's willingness to take a calculated business risk.

Like most risky decisions, this one initially encountered some obstacles. Even so, the Company's marketing team is confident its move is beginning to pay off.

Keeping Close to the Customer



Ever sensitive to the marketplace, Campbell people constantly strive to provide wholesalers and retailers with superior products and superior service.

Customers will benefit from realigned sales force

Dramatic changes are taking place in Canadian food retailing and within the Company itself, and Campbell's sales force has responded to both with a sweeping reorganization.

The main objective is to provide trade customers with sales service that is clearly superior to that offered by other packaged goods companies. As one management spokesman points out, "Being competitive is not enough – we're determined to be the best."

Over the past few years, the Canadian retail environment has undergone significant changes, including:

- Food retailers have become increasingly knowledgeable with the assistance of computer-oriented reporting and control systems that provide more timely information at both the store and headquarter level.
- Retail store managers and their head office executives, anxious to improve the planning of their own marketing strategies, are giving preference to suppliers able to provide longer-term promotion programs tailored to their individual needs.



Sales professionals (from left to right) Richard Giel, Scott Corbett and Gregory Leadbeater discuss strategy with Charles Gower, Vice President – Sales.

- Ownership of retail outlets has been undergoing increasing concentration. Stores have become larger, with more diverse product selection.

By realigning and combining our sales forces into one organization in each region of the country, we have created a structure in which our salesmen cover either the individual retail outlets, or head offices of chain stores and wholesalers' head offices. This arrangement enables them to become more familiar with their customers' needs and increases their individual accountability for the performance of all Campbell products in those outlets.

Truckload Sale revs up retail trade

Campbell Canada's rejuvenated marketing and sales team has created many successful promotions over the past two years. Among the more outstanding was the "Truckload Sale" last February.

The Truckload Sale was a national promotion encompassing all major Campbell brands. Its elements included contests for consumers, high value coupons

and customer/retailer incentives. Among the prizes were 1985 GMC trucks and hundreds of Campbell toy trucks.

The truckload theme inspired many retailers to use actual vehicles as eye-catching, in-store displays. Whole aisles of stores were dedicated to the Truckload Sale. One retailer set up a huge truck display in the store parking lot.

Campbell marketers said the project proved valuable not only as a way of promoting product sales but also as a means of strengthening Campbell relations with its customers – an achievement that can be expected to have lasting effects.

The campaign's objectives were to:

- offer value to consumers;
- obtain high impact displays;
- create high awareness of brands;
- encourage innovative trade activity; and
- achieve increased sales volumes.

Reports from on-site observers suggest that the project succeeded on all five counts, and its impact has been reflected by a significant increase in product shipments.



The Truckload Sale was an outstanding promotion.



Several Toronto Transit buses carry only Chunky soup ads.

Bus passengers get a "souper" ride

Everybody's heard of *Trivial Pursuit* – but *Trivial Pur-soup*???

Transit riders in Toronto are becoming familiar with this twist on the name of the world's most-talked-about board game, as a result of a unique promotion for Chunky Ready-to-Serve soups.

To promote brand awareness for "The Soup That Eats Like a Meal," Campbell marketers made a deal with the Toronto Transit Commission for exclusive advertising rights on several buses in service on regular city routes.

Every one of the "Chunky buses" carries Chunky soup ads – and nothing but Chunky soup ads – inside and out. But these are not ordinary ads. Many take the form of quizzes and games – the wackiest of which is "Trivial Pur-soup" – that passengers can play for amusement.



The new two-piece can stacks easily.

Ten-year experiment produces two-piece can

Campbell Canada welcomes innovation not only among its employees but among its clients as well. After almost ten years of experimenting, off and on, American Can Canada Inc. has developed a two-piece can that Campbell is now using for all its ten-ounce Red & White soups.

As Campbell's product specialists point out, it is one thing to design a can in which the bottom and sidewalls are a single piece of metal, and quite another thing to make such a design physically practical and commercially feasible.

The new product not only satisfies those basic requirements. Compared to the conventional three-piece can, it provides its contents with better protection by virtue of having fewer seams. A more obvious advantage to retailers and consumers is the way the new cans stack more readily.

Shaping the Mosaic



On the Campbell team, every employee is an important player, and an open communication system attempts to ensure that everyone's ideas can be heard.

New leaders emerge to run "quality circles"

In the old corporate tradition, problem-solving was strictly a management function. Often, that meant ignoring the potential for ideas from the very people who know – better than anyone else – how to get a job done.

Now, at Campbell Canada, plant and office employees' brain power is being put to practical and systematic use, in regular discussion groups known as "quality circles."

Once a week, groups of eight to 12 employees at Campbell plants and offices across the country gather for one hour to define, discuss and resolve problems they encounter on the job. In the context of these meetings, the term

"quality" is interpreted broadly to include not only product quality but also other essentials such as optimum communications, high productivity and a healthy working environment.

The first such group began meeting last February. The idea spread quickly and, by mid-summer, Campbell had 18 quality circles. More are forming at a rate of two or three a month.

Skeptics might wonder whether "quality circle" is really just a buzz phrase to disguise the traditional bull session. But there's a great difference – and the secret is focus and leadership. At the outset, a special steering committee at each plant location invited the most strongly motivated employees to undergo a week of training as group leaders or "facilitators."

The facilitators' first task was to recruit volunteers for their groups. Now their continuing function is to help define each problem, lead participants toward a solution and guide them in presenting a report to management.

Where on-the-job problems affect members of more than one quality circle at a given location, representatives from two or more groups get together at special sessions.

Toast, coffee and shoptalk

In the average month of most companies, how many employees get invited in for breakfast with the boss?

At Campbell, the answer is 14.

Twice a month, President David Clark spends two hours eating breakfast and talking shop in his office with seven employees chosen at random. The idea, he explains, is "to hear their thoughts, to see what they want changed, to see how they are affected by changes that have already been made."

Sometimes he is surprised by what he hears. At one meeting, he



A quality circle meets in Toronto. Employees are (from left, going clockwise): Richard Haataja, Tom Spizarsky, Gary James, Paul Slaunwhite, Charles Martin, Ken Kostiuk.



David Clark, President, talks shop over breakfast with (from right foreground, going clockwise): Kathy Boutilier, Philip Weingarden, Iris Murray, Edmund Peacock, Charly Horvat.

learned that certain changes management had considered potentially upsetting for employees had caused barely a ripple out on the plant floor. Some employees, in turn, are surprised at the President's readiness to listen.

Responses confidential through "Campbell Contact"

Sometimes the most valuable employer-employee communication is on a one-to-one basis and confidential.

That's the basic premise of a new communication channel called Campbell Contact, which opened up this past September with the enthusiastic support of senior management. Employees who have personal or general questions to ask about their jobs or the Company are encouraged to send them to Doug Garrett, Industrial Engineering Manager, the program's voluntary co-ordinator. Mr. Garrett seeks out the answer from the appropriate manager and conveys it to the questioner by mail within ten days.

In cases where the employee wishes to ask the question anonymously, his or her identity is known only to the co-ordinator.



At open houses in Portage la Prairie and Toronto (above), employees showed off the plants and organized festivities.

Open houses build pride at Campbell plants

Campbell employees at Portage la Prairie, Manitoba, took advantage of the fact that it was the plant's 25th anniversary last spring to show off the plant to the entire town. Special attention was paid to families, friends, customers and suppliers. Even the enthusiastic organizers were surprised when more than 1,200 people turned out.

Toronto employees at the Birmingham Street plant were the next ones to pick up on the same idea. Their Open House attracted more than 4,000 visitors. Now, employees at Listowel, Ontario, are planning a similar event to celebrate the 25th anniversary of the frozen food plant.

One remarkable aspect of both Open Houses was the involvement of virtually all plant employees – every one of them below senior management rank – who worked well in advance to organize special demonstrations, create signs explaining the operations for the benefit of visitors, and make sundry other arrangements. With a few product lines operating

especially for the occasion, some plant workers demonstrated precisely how soup is made while their fellow employees guided visitors through the plants.

Forums open new communications channel

Thanks to a newly initiated program, Campbell Canada employees are getting an opportunity to hear from and be heard by senior management on a variety of subjects. Early in August, David Clark and two other senior executives, John Cassaday and Godfrey Drover, held the first of several "employee forums" that are to be a permanent part of the Company's internal communications program. In this case, the participants were employees at the main Toronto plant and the discussion, which was held in the canning warehouse, dealt generally with Company performance and the significance of the employees' contribution to it. This forum will be repeated at each of the larger plants during the fall of 1985.

Other "forums" for the management group have been scheduled four times a year to deal with more specific subjects, such as human resource policies, and the role of the various departments in the Company.

Facing the Challenges of the Fast-Changing 1980's

For every major problem it encounters, Campbell is coming up with a tailor-made solution – be it a new information system, a consolidation, a corporate acquisition or a program to foster innovation.

Shopping for the right new acquisition

To achieve its ultimate growth objective of six per cent a year, the Company must initiate or acquire new ventures.

Under the direction of David Lewis, newly appointed Vice President – Business Development, the Company is seeking out one or more acquisitions that will give it a larger presence in the Canadian marketplace and more diversity to its product portfolio and management skills.

In broad terms, Campbell Canada is looking for companies that compete in food or “well being” businesses by providing products that are clearly differentiated from those of its competitors. Campbell is not interested in companies handling products that are merely commodities whose sales are driven by price.

More specifically, the criteria include companies that:

- market products competitive in growth segments that may or may not complement existing Campbell businesses;
- market products that lead in their categories or rank a close second;

- have a capable management team (especially if the business requires expertise different from what Campbell now employs in its core businesses);
- have the potential to generate annual sales of at least \$15 million within five years.

To increase the possibility of finding the best candidates, the Company is focussing on these business areas:

- the efficient production and distribution of refrigerated and fresh food which, according to market surveys, are foods enjoying strong consumer preference;
- the manufacture and marketing of ethnic and other specialty foods and of beverages and frozen entrees, all of which are rapidly growing segments of the food market;
- the manufacture and marketing of cookies, pickles and frozen sea-food specialties, which are large categories identified as key segments for Campbell's worldwide operations.

With its strong financial resources, Campbell Canada can afford to consider even very large acquisitions.



Ontario apple juice and vinegar operations were consolidated with the production of tomato-based products in the Chatham plant.

Consolidation to save \$3 million a year

When three production plants are operating only part of the year and not all at the same time, it makes sense to combine them into one plant that will operate year-round.

That was the reasoning behind a major rationalization that took place at three Campbell locations during fiscal 1985. Production of apple juice and vinegar in plants at Toronto and Thornbury, Ontario, were moved into the tomato-based-products plant at Chatham, Ontario.

Two big challenges posed by the move were the task of transporting heavy equipment to Chatham and the need to engineer the production lines to operate in the most efficient manner. Now expanded, the plant can handle tomato-based products

year-round while other production lines fill each year's calendar with sequential runs of frozen vegetables, apple juices and sauce, and, finally, vinegar.



Monica McCandless, Director – Management Information Systems, and her department, are working to improve the quality and timeliness of information.

MIS gets a major updating

No dynamic company can hope to compete and grow in today's competitive market without up-to-date, pertinent information on production and sales.

Campbell Canada has operated a computer-based Management Information System (MIS) for some time, but in recent years it was failing to keep up with the Company's changing needs. Last March, senior management took steps to overcome this deficiency, beginning with the appointment of Monica McCandless as Director – Management Information Systems (MIS).

As one of her first moves in her new job, Ms. McCandless began building a new MIS team. The team's mandate is to provide com-

puter-based technology to be used as a strategic resource, so that the MIS strategy functions as part of corporate strategy. After much discussion with managers throughout the Company, Ms. McCandless has identified three major applications for computer-based information: sales reporting, sales forecasting and production support. The three, of course, are interconnected: if the Company has an up-to-the-minute picture of its sales, it can more accurately estimate future sales and provide the packaging, raw materials and equipment capacity required to produce those volumes on a timely basis.

Nurturing growth through innovation

Of all the factors contributing to Campbell Canada's success, none is more critical than innovation.

In a competitive environment in which the market can be expected to grow no faster than one per cent per year, the Company can achieve its corporate objectives only if it outperforms its competition – in the marketplace and in its plants and offices.

The challenge, then, is to instill in the organization a clear understanding that the growth so essential to success demands constant innovation. To that end, the Company has embarked on a program to foster innovation in three ways:

- **Create the right climate:** President's breakfasts and quality circles, described elsewhere in this report, are just two examples of continuing projects designed to encourage open discussion and innovative thinking. No Company

policy or practice is too sacred to be discussed and examined.

One example: a multi-functional task force, headed up by one of Campbell's most capable young managers, Gregg Embrey, is searching out ways of competing more effectively in the frozen food market.

The role of the task force is to question whether existing products need replacing to meet consumers' changing needs. This exercise demonstrates to all employees that Campbell Canada is serious about innovation and change.

- **Train the people:** Recognizing that full-scale innovation can come about only if employees have the required skills, the Company has set about on a new program of employee education. It trains quality circle facilitators as discussion leaders (see page 10) and provides special instruction for sales and marketing people, with heavy emphasis on innovation as a strategic tool.

- **Respond positively to innovative ideas:** Recognizing that its credibility among employees is vital, the Company has found new ways of heeding and rewarding worthwhile ideas. Recognition for major contributions is given in the form of President's Awards and President's Citations (see page 6).

In addition, a "Bright Ideas" program rewards good suggestions for helping the business grow. Since its inception, this one program has been producing an average of 100 idea submissions per month. Three programs currently in the marketplace came directly from the "Ideas Board" that monitors all submissions.

Review of Businesses

Sales at list amounted to \$321.5 million in fiscal 1985, representing a 9.3 per cent increase over 1984 sales, and a 4.5 per cent increase in real volume. Product introductions were especially successful. Le Menu went national for the first time, and three other launchings took place: Calorie-Reduced soups (a Campbell initiative), Soupe "Grande-mere" (for the Quebec market) and Frozen soups (introduced through the FoodService Division).

Quality



Soups

Total market (canned and dried)	\$350 million
Campbell's share	45.4% (total) 60.3% (canned)
Market position	No. 1
Volume change in '85	Red & White, up 2.9%; Chunky Ready-to-Serve, up 10.5%
Plant locations	Toronto, Ontario Portage la Prairie, Man.
Other canned foods	Franco-American spaghetti, macaroni and gravies

Total soup sales including both Red & White and Chunky brands, representing the largest segment of Campbell sales volume, increased by 3.7 per cent in fiscal 1985.

Key accomplishments within the Red & White product group included: a significant strengthening of the soup marketing group; significant volume growth in Quebec behind an aggressive trade program; and a move to cutting vegetables in random sizes.

Two particularly successful products were Chunky soups ("The Soup that Eats like a Meal"), up 10.5 per cent, and Calorie-Reduced soups, the new created-in-Canada product, which exceeded sales expectations by 15 per cent (see page 7).

Chunky's success in 1985 can be attributed in part to the introduction of a new variety, New England Clam Chowder, which received heavy advertising support and won immediate

consumer acceptance. To keep Chunky growing, the Company will continue to introduce new varieties supported with vigorous advertising and promotional campaigns. One new variety Fisherman's Chowder, was added to this product line early in fiscal 1986.

Within six months of their launching in September 1984, Campbell's Calorie-Reduced soups captured more than one per cent of the Canadian soup market. Introduced in Quebec in May, this product by mid-June was listed by all the province's major grocery chains. A new variety, Vegetable Beef, was introduced in August. Calorie-Reduced soups were developed by Campbell Canada to appeal to the growing number of weight-conscious Canadians.

Another winner in 1985 was Soupe "Grand-Mere," the Quebec counterpart of Campbell's Homestyle soups, available in the rest of Canada. Research into consumer tastes showed that Chicken Noodle Soupe "Grand-Mere" is preferred by two to one over its direct competition. Campbell is publicizing this significant taste preference in one of its French television commercials.

In September 1985, the Company expanded its Homestyle line by launching a new variety, Vegetable Beef.

Case sales of Franco-American spaghetti, macaroni and gravies grew by 2.3 per cent.



Spaghetti Sauce

Total market (premium glass segment)	\$36 million
Campbell's share	20.9%
Market position	No. 2
Volume change in '85	Up 47%
Brand	Prego
Plant location	Chatham, Ont

Prego Spaghetti Sauce was an immediate hit with consumers when it was launched in September 1983. In consumer sales of premium sauces, measured by volume, it ranks first; and among all spaghetti sauces in glass containers, it ranks second.

Early in fiscal 1985, when market studies suggested that Prego had peaked, the Company responded with aggressive promotions lasting throughout the winter. Sales gains were impressive, and the product now appears to have regained its momentum. Case sales for 1985 increased by 47 per cent over their 1984 volume.

This year, Campbell will make several packaging and production changes that will make Prego even more successful. The packaging will have new label graphics displaying the name more prominently. All advertising will be on billboards, a high-visibility medium not used by any other spaghetti sauce.



Frozen Foods

Total market	\$269 million
Brands	Swanson, Pepperidge Farm, Le Menu
Market share	Dinners, 52.6%; meat pies, 18.7%; chicken products, 33.8%; desserts and pastries, 27.2%; premium dinners, 13.0%
Market position	Dinners, No. 1; meat pies, No. 3; chicken products (formed), No. 2; desserts and pastries, No. 3; premium dinners, No. 2 (original Western test market), No. 3 (rollout regions)
Volume change in '85	Swanson, down 2.2%; Pepperidge Farm, up 4%; Le Menu, up 638%
Plant location	Listowel, Ont.

Le Menu, one of the food industry's biggest new winners in recent years, exceeded Campbell expectations in its national rollout year, fiscal 1985. The new premium-quality dinner was shifted from its test market to national distribution sooner than planned, after management learned that a competing product was about to hit the market. Case studies show that the first company to launch a new product has the best chance of capturing the largest market share, and the Company was eager to exploit this potential. Le Menu fulfilled this expectation by gaining and maintaining a strong position in this new market for premium frozen dinners.

Now the Company's efforts with Le Menu are concentrated on exploiting its early market success through advertising, promotion and product line extensions. As part of the ad campaign, Le Menu will be featured on lighted billboards in major cities and in a new TV commercial. In addition,

early in the new year, the brand will introduce a tasty new entry – Filet of Sole.

In a smaller scale version of Le Menu's success story, Vegetables in Pastry (VIPs) made a volume gain of 19 per cent over 1984 results, thereby contributing heavily to an overall gain of four per cent for Pepperidge Farm brands as a whole. The five original VIP products were expanded nationally in September 1984. A new VIP product, Mushrooms in Wine Sauce, was launched in the fall of 1984 and Oriental Style Vegetables in Teriyaki Sauce, in June of 1985. Pepperidge Farm cakes responded well to an aggressive trade program, increasing their real sales volume by five per cent. Two new layer cakes introduced in the summer of 1984, Chocolate Mint and Lemon Coconut, have captured almost five per cent of the national layer cake market. The Company's strategy is to continue the growth of both cakes and Vegetables in Pastry with frequent new variety extensions.

Case sales of all Swanson products declined by 2.2 per cent in fiscal 1985, but dollar sales increased, and the Company expects to see volumes and dollar revenues alike increase in fiscal 1986. Even so, the Swanson line of products poses the main challenge the Company now faces in its determined efforts to generate acceptable profits from all its brands. Campbell's marketing team is making special efforts to rejuvenate and upgrade the Swanson products' image and produce a price/value combination that will win over consumers and improve profitability.

As a major step in this direction, the Company went into the lead Ontario market with an improved Swanson dinner on a microwavable tray (see page 7).



Pure Apple Juice

Total market (eastern Canada only)	\$91 million
Brands	Allen's, Mitchell's
Market share	18%
Market position	No. 1
Volume change in '85	Down 3.5%
Plant locations	Chatham, Ont. Wolfville, N.S.
Other beverages	Fruit drinks, apple crystals

Fiscal 1985 was a down year for both sales and profits in the Company's apple juice division.

A 20 per cent shortfall in the supply of juice apples made it necessary to use more costly raw materials. This affected sales volume and depressed margins.

However, in fiscal 1986, a combination of plant rationalization (see page 12) and new product and marketing strategies can be expected to turn the division around quite dramatically. Meanwhile, the Company will continue to build on the loyalty that exists for Allen's and Mitchell's brands. It will also launch Granny Smith Reconstituted Apple Juice early in fiscal 1986 and will soon test-market a MacIntosh Pure Juice, as part of an effort to expand its line of quality juice products.

In present market tests of new apple juice containers, the Company is getting good response to glass and Tetra Brik containers, which by the fiscal year end represented 22 per cent of apple juice packaging and were gaining on the traditional 48-ounce can.



Condiments

Brands	Allen's Vinegars; Allen's and Mitchell's Apple Sauce; Bisto Gravy Maker; A-1 Steak Sauce; Paterson's Worcestershire Sauce; Paxo Stuffing
Market position	Vinegar, No. 2 nationally; Apple Sauce, No. 1 Ontario and Quebec; Gravy Maker, No. 1 nationally
Volume change in '85	Down 7%
Plant locations	Saskatoon, Sask. Chatham, Ont. Wolfville, N.S.

The seven per cent decline in volume resulted primarily from lower vinegar sales. The vinegar market is strongly influenced by the availability and price of fresh vegetables for pickling. This year's poor growing season in many areas of Canada negatively affected market sales volume. The other products in this group showed sales volume growth of plus six per cent. This growth traces to A-1 Steak Sauce at plus 17 per cent; Allen's and Mitchell's Apple Sauce, plus nine per cent; and Bisto, plus one per cent.



Mixed Vegetable Juices

Total market	\$117 million
Brand	"V-8"
Market share	22.2% 60.5% (regular vegetable juice segment)
Market position	No. 1
Volume change in '85	Up 11%
Plant location	Chatham, Ont.

In fiscal 1985, the Company got the message across to eastern Canada that "V-8" equals vegetables and is a quick, nutritious, delicious way to consume essential vegetables. "V-8" remains number one in the mixed vegetable juice segment and, in fact, the leader in total red juice sales. Total sales to the grocery trade grew by seven per cent in a market showing little growth, and profits increased dramatically.

Now, for fiscal 1986, the Company is pushing for an even bigger increase in "V-8" sales. The product is expected to make big inroads in western Canada with the support of the "V-8"-equals-vegetables campaign that yielded such good results in the east. Eastern sales will get continued marketing support, including a new commercial.

Consumers have readily accepted a new "V-8" Tetra Brik container and further packaging innovation is believed to offer additional volume potential in the future.



Italian Specialties

Brand	Gattuso
Products	Pasta; spaghetti, pizza and lasagna sauce; olives, gherkins, onions, cauliflower, pimentos; olive and soya oil; Instant Snack in a Cup, Shang-Tai Wonton Soup
Market position (Quebec)	The No. 1 brand in olives, instant snack, pizza and lasagna sauce
Volume change in '85	Up 2%
Plant location	Montreal, Que.

Gattuso brands themselves increased by two per cent in fiscal 1985. The division's business as a whole increased by four per cent. This is largely as a result of brisk business in the production of pasta and other products for sale under retailers' private labels, and in "co-packing" arrangements - i.e. producing and packaging products to other manufacturers' specifications.

Among Gattuso's own brands, notable gains were made by Instant Snack in a Cup and Shang-Tai Wonton Soup (see page 7).

One new product, reduced sodium olives, was successfully launched in Quebec.



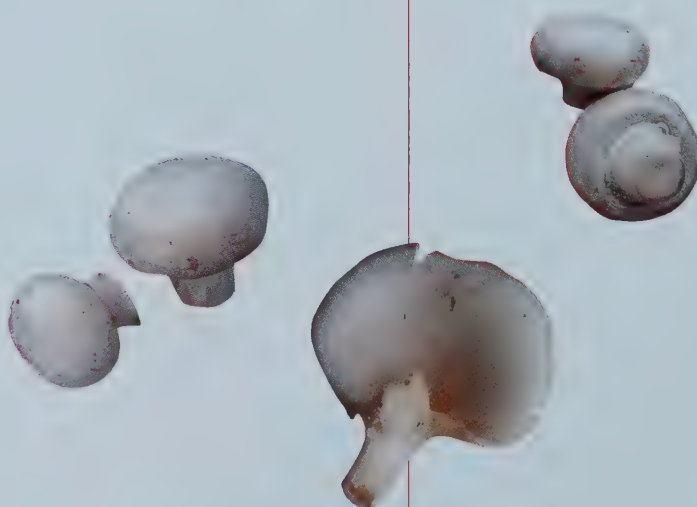
Mushrooms

Markets	Internal use and retail
Volume change in '85	Up 9.7%
Farm locations	Portage la Prairie, Man. Wellington, Ont.

Campbell Canada is one of Canada's largest mushroom producers. In a steadily growing market, the Company's sales from its two mushroom production locations, at Wellington, Ontario, and Portage la Prairie, Manitoba, increased by more than nine per cent in fiscal 1985.

In other developments during the year:

- A new "store-door" delivery program made it possible for retailers in the Portage-Winnipeg and Kingston-Belleville areas to receive direct shipments of fresh mushrooms. Store deliveries were particularly successful around Portage, where an employee received special recognition for her contribution to this new program (see page 6).
- At fiscal year-end, the Company acquired the assets of another mushroom farm near Portage la Prairie. Production on the newly acquired property, purchased from the Samson Indian Band, is expected to amount to one million pounds.
- The company began a pilot project to grow Oyster mushrooms, which are becoming increasingly popular in Ontario, where they are now sold on a limited basis.
- At Wellington, the company added two new growing rooms with a potential annual volume increase of 700,000 pounds.



FoodService Division

Through its FoodService Division, the Company provides all of its Campbell, CanVin and Gattuso brands to hotels, restaurants, in-store bakeries, hospitals, and other institutions across Canada.

In fiscal 1985, this division posted a sales volume increase of 6.5 per cent. The biggest gains were registered by "V-8", with volume sales up 36 per cent over 1984, and Pepperidge Farm frozen turnovers, which increased by 65 per cent, largely because of their popularity among in-store bakeries.

The outlook for this division is promising. Six varieties of new Frozen Soup, launched nationally in September 1984, surpassed the Company's objectives. A new 48-ounce Bean with Bacon Soup was launched nationally in June, and a national launching of Cherry Turnovers followed in July.

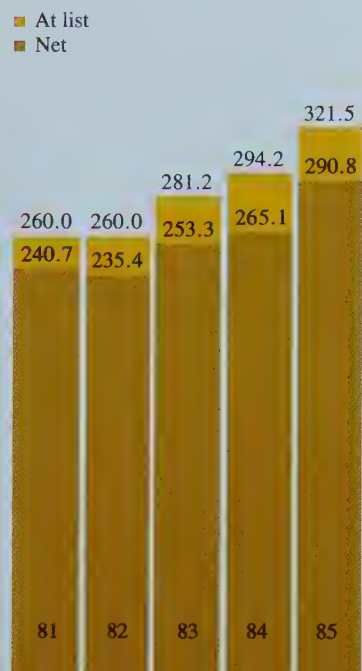
Financial Review

Campbell Canada is committed to achieving superior financial results. Last year the Company publicly identified its long term financial goals (see page 2) and it is evident from the financial results that it is making real progress in achieving them.

Sales: The Company is now reporting sales at list as well as net sales. This additional information has been provided to allow a better understanding of our business. Net sales exclude the following: off invoice price promotions, outbound freight, cash discounts and sales returns.

In fiscal 1985, sales at list of \$321.5 million and net sales of \$290.9 million were up 9.3 per cent and 9.7 per cent, respectively, compared with 1984. These increases were twice the compound rates of growth of the past five years. Since 1982, when dollar sales were basically flat, and real volume was declining, the Company has taken action to reverse both trends. It has embarked on an aggressive program of launching new products as well as revitalizing its existing products. An important part of this program has been an emphasis on marketing activities, for which expenditures have increased 79 per cent since 1982.

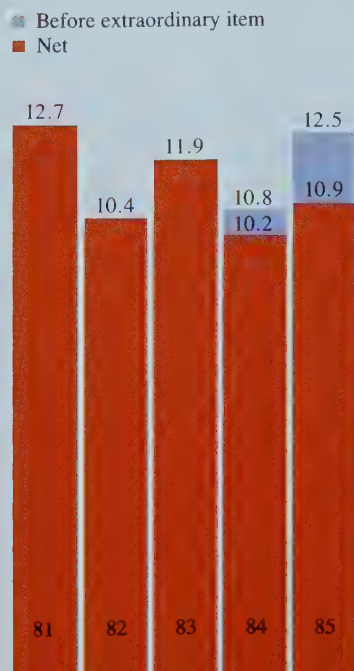
Sales
(in millions of dollars)



Earnings: Net earnings before extraordinary items increased more than 15 per cent to \$12.5 million in 1985. After the extraordinary provision of \$1.5 million related to the consolidation of three plants in Ontario (see page 12), net earnings were ahead almost seven per cent to \$10.9 million, or \$1.46 per share, compared with 1984 when there also was an extraordinary item.

The principal reasons behind these most satisfactory results were increased sales volumes and improved gross margins. The earnings improvement was most dramatic in the Soups, "V-8" and FoodService businesses where higher ingredient costs were more than offset by manufacturing efficiencies. Overall our cost of product sold was 68 per cent compared to 69 per cent in 1984.

Earnings
(in millions of dollars)

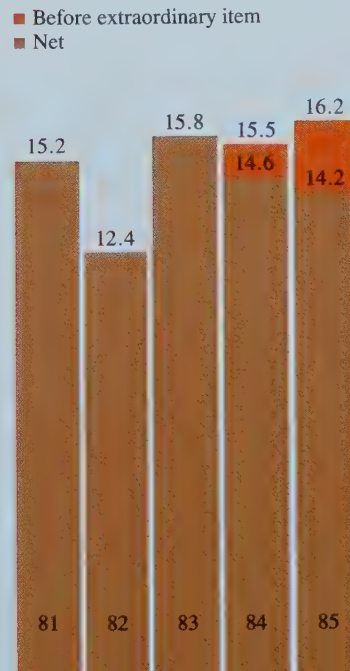


Financial Condition: The Balance Sheet clearly shows the continuing financial strength of the Company. The ratio of debt to capitalization improved to 18.6 per cent from 19.9 per cent in 1984. The current ratio improved to 3.8:1 from 3.6:1 in 1984 and 2.7:1 four years ago. Net of bank indebtedness, the cash position at \$16 million was comparable to 1984.

As can be seen in the Statement of Changes in Financial Position, cash flow from operations declined to \$5.9 million from \$13.1 million. This decline reflected mainly the increase in working capital, in particular inventories and receivables. Inventories were higher partially because of increased sales and partially because of a build up of finished goods in preparation for the plant consolidations. Higher receivables reflect the higher sales in July 1985 compared with July 1984. Cash was used also to increase quarterly cash dividends by 7.7 per cent and for the capital expenditures program which increased by 43 per cent.

As the chart below shows, there was an increase in return on shareholders' equity to 16.2 per cent from 15.5 per cent in 1984.

Return on shareholders' equity
(per cent)



Balance Sheet

(in thousands of dollars)

July 28, 1985

July 29, 1984

Current assets:

Cash	\$ 185	\$ 253
Temporary investments, at cost which approximates market	17,466	21,537
Accounts receivable	19,005	15,917
Inventories (Note 2)	54,922	46,575
Prepaid expenses	1,259	957

92,837 85,239

Fixed assets (Note 3)

38,083 37,903

\$130,920 \$123,142

Current liabilities:

Bank indebtedness	\$ 1,646	\$ 5,065
Accounts payable and accrued liabilities	20,397	16,299
Due to affiliated companies, net	1,281	1,360
Income taxes payable	796	773

24,120 23,497

Note payable (Note 4)

19,900 19,887

Deferred income taxes

6,546 6,225

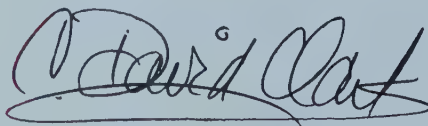
Shareholders' equity:

Capital stock (Note 5)	2,500	2,500
Earnings retained in the business	77,854	71,033

80,354 73,533

\$130,920 \$123,142

Approved by the board:



Director



Director

The accompanying notes are an integral part of the financial statements.

Statement of Earnings and Earnings Retained in the Business

(in thousands of dollars except per share amounts)	52 weeks ended July 28, 1985	%	52 weeks ended July 29, 1984	%
Sales at list	\$321,521	100.0	\$294,222	100.0
Sales deductions, price promotions and freight	30,724		29,169	
Net sales	290,797	90.4	265,053	90.1
Costs and expenses				
Cost of products sold	218,572	68.0	203,012	69.0
Marketing and selling expenses	39,175	12.2	32,761	11.1
Administrative expenses	10,605	3.3	9,786	3.3
Interest expense, net (Note 6)	452	0.1	881	0.3
	268,804	83.6	246,440	83.7
Earnings before income taxes and extraordinary item	21,993		18,613	
Less: Income taxes (Note 7)	9,518		7,777	
Earnings before extraordinary item	12,475	3.9	10,836	3.7
Less: Extraordinary item (Note 8)	1,529		605	
Net earnings for the year	10,946	3.4	10,231	3.5
Earnings retained in the business at beginning of year	71,033		63,727	
Dividends (Note 9)	(4,125)		(2,925)	
Earnings retained in the business at end of year	\$ 77,854		\$ 71,033	
Earnings per share:				
Earnings before extraordinary item	\$ 1.66		\$ 1.44	
Net earnings for the year	\$ 1.46		\$ 1.36	

The accompanying notes are an integral
part of the financial statements.

Statement of Changes in Financial Position

(in thousands of dollars)	52 weeks ended	52 weeks ended
	July 28, 1985	July 29, 1984
Cash provided by:		
Operations –		
Earnings before extraordinary item	\$ 12,475	\$ 10,836
Items not requiring the use of funds –		
Depreciation	4,167	4,071
Deferred income taxes	321	(72)
Amortization of discount on note payable	13	12
(Increase) decrease in working capital (see below)	(11,114)	(1,755)
Cash provided by operations	5,862	13,092
Sale of fixed assets, net	678	324
	6,540	13,416
Cash used for:		
Purchase of fixed assets	5,025	3,510
Dividends	4,125	2,925
Extraordinary item	1,529	605
	10,679	7,040
Increase (decrease) in cash and temporary investments	\$ (4,139)	\$ 6,376
(Increase) decrease in working capital:		
Increase in accounts receivable	\$ (3,088)	\$ (1,275)
Increase in inventories	(8,347)	(2,099)
(Increase) decrease in prepaid expenses	(302)	245
Increase (decrease) in bank indebtedness	(3,419)	1,827
Increase in accounts payable and accrued liabilities	4,098	462
Increase (decrease) in due to affiliated companies, net	(79)	1,026
Increase (decrease) in income taxes payable	23	(1,068)
Decrease in dividend payable	–	(873)
	\$ (11,114)	\$ (1,755)

The accompanying notes are an integral part of the financial statements.

1. Summary of significant accounting policies

Amalgamation – Effective with the commencement of business July 30, 1984, Campbell Soup Company Ltd amalgamated with its wholly-owned subsidiary, CanVin Products Limited – Les Produits CanVin Limitée, and is continuing operations as Campbell Soup Company Ltd (the “Company”).

Inventories – Inventories are valued at the lower of average cost or market. Market is defined as current replacement cost for raw material, containers and supplies and net realizable value for finished products.

Fixed assets – Fixed assets are carried at cost less accumulated depreciation. Alterations and major overhauls which substantially extend the lives of properties or materially increase their capacity are capitalized. The amounts of property disposals are removed from fixed assets and accumulated depreciation accounts and the differences included in earnings. Ordinary repairs and maintenance are charged to costs and expenses.

Depreciation – Depreciation is provided on the straight-line method using the following rates designed to write off the cost of assets over their estimated useful lives:

Buildings	2.2% - 6.7%
Machinery and Equipment	5.0% - 20.0%

Income taxes – The Company follows the tax allocation method of providing for income taxes. Deferred income taxes result from claiming certain costs and expenses for income tax purposes in different periods from those in which they are recorded for financial statement purposes. The most significant of these timing differences relates to fixed assets.

Investment tax credits – In 1985, to comply with the recent recommendations issued by the Canadian Institute of Chartered Accountants, the Company has prospectively changed its method of accounting for investment tax credits to the deferral basis. Under this method, investment tax credits are netted against the capital assets to which they relate resulting in reduced depreciation expense over the life of the assets. Previously, investment tax credits were recognized as a reduction of income taxes when realized. The effect of this change is not significant to the Company’s operations.

Pension plan – The Company has a non-contributory defined benefit pension plan covering substantially all employees. Current service costs are charged to operations as they accrue while past service costs are amortized over a period not exceeding fifteen years.

Foreign currency translation – The Company translates all trading transactions denominated in foreign currencies to Canadian dollars at the rate of exchange in effect on the transaction date. Monetary assets and liabilities resulting from such transactions are adjusted to reflect the exchange rates in effect at the balance sheet date and the resulting gain or loss is included in the statement of earnings.

Amortization of discount – The Company amortizes discount on notes payable over the term of the related obligation on a straight-line basis.

Notes to Financial Statements

July 28, 1985

2. Inventories

(in thousands of dollars)	1985	1984
Raw materials, containers and supplies	\$22,203	\$18,864
Finished products	32,719	27,711
	\$54,922	\$46,575

3. Fixed assets

(in thousands of dollars)	1985		1984	
	Cost	Accumulated depreciation	Net	Net
Land	\$ 675	\$ —	\$ 675	\$ 905
Buildings	34,607	17,263	17,344	17,173
Machinery and equipment	55,394	37,874	17,520	18,279
Projects in progress	2,544	—	2,544	1,546
	\$93,220	\$55,137	\$38,083	\$37,903

4. Note payable

The note payable bears interest at 11 $\frac{7}{8}$ % per annum and is repayable in five annual instalments of \$4,000,000 commencing July 27, 1989.

5. Capital stock

(in thousands of dollars)	1985	1984
Authorized – unlimited number of First Preference Shares, issuable in series		
– unlimited number of common shares without par value		
Issued – 7,500,000 common shares	\$ 2,500	\$ 2,500

6. Interest Expense, net

(in thousands of dollars)	1985	1984
Interest expense on note payable	\$ 2,375	\$ 2,375
Other interest expense	128	224
	2,503	2,599
Interest income	2,051	1,718
	\$ 452	\$ 881

7. Income taxes

The Company's effective income tax rate is as follows:

	1985	1984
Combined basic Canadian federal and provincial income tax rate	49.7%	49.4%
Increase (decrease) in the income tax rate resulting from:		
Manufacturing and processing profits deductions	(4.2)	(4.3)
Inventory allowance	(2.7)	(3.1)
Investment tax credits	—	(1.0)
Miscellaneous	0.5	0.8
Effective income tax rate	43.3%	41.8%

8. Extraordinary item

The 1985 extraordinary item represents a provision for costs associated with the consolidation of Ontario apple and vinegar production into the Company's Chatham facility in the amount of \$2,831,000, less applicable income

tax benefits of \$1,302,000. The 1984 extraordinary item represents a provision for costs associated with the closure of a Quebec plant in the amount of \$1,141,000, less applicable income tax benefits of \$536,000.

9. Dividends

During 1985, the Company paid four quarterly dividends in the aggregate amount of \$4,125,000 (\$.55 per share). In fiscal 1984, the Company paid four quarterly dividends of \$3,900,000

(\$.52 per share) of which \$2,925,000 (\$.39 per share) were declared in fiscal 1984 and \$975,000 (\$.13 per share) in fiscal 1983.

10. Related party transactions

Campbell Investment Company, a wholly-owned subsidiary of Campbell Soup Company, Camden, New Jersey, owns 70% of the outstanding common shares of the Company. Sales to and purchases from Campbell Soup Company and its affiliates are made at prices and on terms similar to those with outside parties. In addition, costs and

expenses include amounts charged by Campbell Soup Company in respect of certain management, administrative, technical and other services. Sales to, purchases from and charges by Campbell Soup Company and its affiliates are not significant to the Company's operations.

Notes to Financial Statements

July 28, 1985

Auditors' Report

11. Segmented information

The Company manufactures, packages and distributes prepared convenience foods, and as such is considered to operate in a single industry. Export sales are not significant to the Company's operations.

12. Lease commitments

The Company leases various premises, vehicles and equipment under non-cancellable operating leases expiring at various dates. Total commitments under these leases are as follows:
(in thousands of dollars)

1986	\$1,071
1987	885
1988	658
1989	433
1990	256
1991 and thereafter	23
	\$3,326

To the Shareholders of
Campbell Soup Company Ltd:

We have examined the balance sheet of Campbell Soup Company Ltd as at July 28, 1985 and the statements of earnings and earnings retained in the business and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at July 28, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse

Chartered Accountants
Toronto, Canada
September 3, 1985

Quarterly Statistics

Quarterly Statistics				Per Share				
(in thousands of dollars except per share amounts)	Net Sales	Earnings Before Extraordinary Item	Net Earnings	Earnings Before Extraordinary Item	Earnings After Extraordinary Item	Dividends	Market Price	
							High	Low
Fiscal 1985								
First Quarter	\$ 72,684	\$ 3,629	\$ 3,629	\$0.48	\$0.48	\$0.13	16 $\frac{1}{8}$	13 $\frac{5}{8}$
Second Quarter	78,332	2,887	2,887	0.39	0.39	0.14	18 $\frac{7}{8}$	15 $\frac{7}{8}$
Third Quarter	78,563	2,628	1,099	0.35	0.15	0.14	20 $\frac{1}{4}$	18 $\frac{1}{4}$
Fourth Quarter	61,218	3,331	3,331	0.44	0.44	0.14	22 $\frac{1}{4}$	19
Annual	290,797	12,475	10,946	1.66	1.46	0.55		
Fiscal 1984								
First Quarter	71,509	3,602	3,602	0.48	0.48	0.00	16 $\frac{1}{8}$	14 $\frac{3}{4}$
Second Quarter	66,954	2,487	2,487	0.33	0.33	0.13	15 $\frac{5}{8}$	12 $\frac{3}{4}$
Third Quarter	68,146	2,363	1,801	0.32	0.24	0.13	16 $\frac{1}{8}$	14 $\frac{5}{8}$
Fourth Quarter	58,444	2,384	2,341	0.31	0.31	0.13	15 $\frac{1}{2}$	13 $\frac{7}{8}$
Annual	265,053	10,836	10,231	1.44	1.36	0.39		

Six Year Review

(in thousands of dollars except per share amounts)	Fiscal year ended					
	July 28, 1985	July 29, 1984	July 31, 1983	August 1, 1982	August 2, 1981	August 3, 1980
Operations						
Sales at list	\$ 321,521	\$ 294,222	\$ 281,214	\$ 259,042	\$ 259,975	\$ 238,337
Net sales	290,797	265,053	253,343	235,360	240,687	219,874
Interest and other income	2,051	1,718	716	1,114	1,812	1,075
Costs and expenses	268,804	246,440	234,315	217,857	220,168	200,096
Interest expense	2,503	2,599	561	1,295	728	1,330
Earnings before taxes	21,993	18,613	19,183	17,322	21,603	19,523
Taxes on earnings	9,518	7,777	7,258	6,961	8,940	8,535
Net earnings	10,946	10,231	11,925	10,361	12,663	10,988
Regular dividends	4,125	2,925	10,006	9,475	12,500	9,850
Depreciation expense	4,167	4,071	3,996	3,762	3,757	3,484
Purchase of plant assets	5,025	3,510	3,339	6,300	5,666	4,455
Year end financial position						
Current assets	92,837	85,239	75,734	74,591	79,293	70,532
Working capital	68,717	61,742	53,611	51,057	49,522	50,238
Plant assets (net)	38,083	37,903	38,788	39,845	37,518	37,229
Total assets	130,920	123,142	114,522	114,436	120,159	110,915
Long-term debt	19,900	19,887	19,875	—	—	—
Shareholders' equity	80,354	73,533	66,227	84,308	83,422	83,259
Per share						
Net earnings	1.46	1.36	1.59	1.38	1.69	1.47
Book value	10.71	9.80	8.83	11.24	11.12	11.10
Ratios						
Current ratio	3.85:1	3.63:1	3.42:1	3.17:1	2.66:1	3.48:1
Return on net sales	3.8%	3.9%	4.7%	4.4%	5.3%	5.0%
Return on average shareholders' equity	14.2%	14.6%	15.8%	12.4%	15.2%	13.3%

Directors and Officers

Directors

Alexander M. Williams
Chairman of the Board
Campbell Soup Company Ltd
Executive Vice President
Campbell Soup Company
and President, Campbell
International Division,
Camden, New Jersey

C. David Clark^{†*}
President and Chief
Executive Officer
Campbell Soup Company Ltd
Toronto, Ontario

W. Godfrey Drover
Senior Vice President –
Operations
Campbell Soup Company Ltd
Toronto, Ontario

John H. Grisdale
Senior Vice President –
Administration and Corporate
Services
Campbell Soup Company Ltd
Toronto, Ontario

Jacques J. Giasson^{*}
Chairman of the Board and
Chief Executive Officer
Groulx-Robertson Ltd.
Montreal, Quebec

Edward J.M. Huycke, Q.C.[†]
Partner
Osler, Hoskin & Harcourt
Toronto, Ontario

Burton C. Matthews
President
University of Guelph
Guelph, Ontario

R. Gordon McGovern
President and
Chief Executive Officer
Campbell Soup Company
Camden, New Jersey

George L. O'Leary[†]
Chairman and
Chief Executive Officer
Scott Paper Company Limited
Vancouver, British Columbia

John A. Rhind^{*}
Chairman of the Board and
Chief Executive Officer
Confederation Life
Insurance Company
Toronto, Ontario

^{*}Audit Committee

[†]Compensation Committee

Officers

Peter M. Barkla
Vice President –
Human Resources

John M. Cassaday
Senior Vice President –
Marketing and Sales

C. David Clark
President and
Chief Executive Officer

W. Godfrey Drover
Senior Vice President –
Operations

Robert J. Galloway
Vice President – Advertising
and Marketing Services

Charles J. Gower
Vice President – Sales

John H. Grisdale
Senior Vice President –
Administration and Corporate
Services

David J. Lewis
Vice President –
Corporate Development

David R. Morris
Treasurer

Thomas C. Peddie
Vice President – Finance
and Secretary

Alexander M. Williams
Chairman of the Board

Rapport annuel

Si vous désirez recevoir ce rapport en français, veuillez vous adresser au Secrétaire, Les Soupes Campbell Ltée, 60 Birmingham St., Toronto (Ontario) M8V 2B8.

Corporate Data

General Office
Campbell Soup Company Ltd
60 Birmingham Street
Toronto, Ontario M8V 2B8
(416) 251-1131

Transfer Agent and Registrar
The Canada Trust Company
Halifax, Montreal, Toronto, Winnipeg,
Regina, Calgary and Vancouver

For Shareholder Information, contact:
Thomas C. Peddie
Vice President – Finance and Secretary

Annual Meeting

The annual meeting of shareholders will be held in the Regency Room at the Four Seasons Hotel, 21 Avenue Road, Toronto, Ontario, on November 27, 1985 at 2:00 p.m. EST. Refreshments will be served following the meeting.

Plant Locations

Chatham, Ont.	Juices and vegetable processing
Listowel, Ont.	Frozen foods
St. Marys, Ont.	Poultry processing
Toronto, Ont.	Canned foods
Portage la Prairie, Man.	Canned foods
Wolfville, N.S.	Juice and condiments
Montreal, Que.	Italian specialties
Saskatoon, Sask.	Condiments

Farms

Listowel, Ont.	Poultry
Wellington, Ont.	Mushrooms
Portage la Prairie, Man.	Mushrooms
Oakville, Man.	Mushrooms

District Sales Office

Dartmouth, N.S.	Winnipeg, Man.
Montreal, Que.	Calgary, Alta.
Toronto, Ont.	Burnaby, B.C.

Campbell Soup Company Ltd
60 Birmingham Street
Toronto, Ontario M8V 2B8



AR52

CAMPBELL SOUP COMPANY LTD

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
NOVEMBER 27, 1985
AND
MANAGEMENT PROXY CIRCULAR

To be held at 2:00 p.m.
Wednesday, November 27, 1985
Regency West Room, Four Seasons Hotel
Toronto, Ontario

CAMPBELL SOUP COMPANY LTD

NOTICE OF 1985 ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual Meeting of the Shareholders of Campbell Soup Company Ltd will be held in the REGENCY WEST ROOM, FOUR SEASONS HOTEL, 21 AVENUE ROAD, TORONTO, ONTARIO ON WEDNESDAY, NOVEMBER 27, 1985, AT 2:00 O'CLOCK IN THE AFTERNOON (TORONTO TIME) for the purpose of:

- (a) receiving the Directors' annual report and the consolidated financial statements of the Company for the fiscal year ended July 28, 1985, together with the Auditors' report thereon;
- (b) electing Directors for the ensuing year;
- (c) appointing Auditors and authorizing the Board of Directors to fix their remuneration; and
- (d) transacting such other business, including amendments to the foregoing, as may properly come before the Meeting, or any adjournments thereof.

BY ORDER OF THE BOARD OF DIRECTORS



Thomas C. Peddie
Secretary

Toronto, Ontario, October 31, 1985.

Note: Shareholders are requested to complete and return the enclosed form of proxy in the envelope provided.

CAMPBELL SOUP COMPANY LTD
60 Birmingham Street
Toronto, Ontario
M8V 2B8

MANAGEMENT PROXY CIRCULAR

October 31, 1985

GENERAL INFORMATION

THIS PROXY CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION OF PROXIES ON BEHALF OF THE MANAGEMENT OF CAMPBELL SOUP COMPANY LTD ("COMPANY") FOR THE ANNUAL MEETING OF SHAREHOLDERS ("MEETING") MENTIONED IN THE FOREGOING NOTICE OF MEETING.

If the enclosed form of proxy is duly completed and returned, all shares in respect of which the persons named therein are appointed to act, will be voted or withheld from voting, in accordance with the Shareholder's specifications, on any ballot that may be called for at the Meeting. Should no such specification be made, then the shares will be voted as stated in the proxy.

The cost of sending notice of the Meeting and soliciting proxies for the Meeting will be paid by the Company.

THE PERSONS NAMED IN THE ENCLOSED FORM OF PROXY ARE DIRECTORS OF THE COMPANY. A SHAREHOLDER HAS THE RIGHT TO APPOINT A PERSON (WHO NEED NOT BE A SHAREHOLDER) OTHER THAN THE PERSONS NAMED IN THE ENCLOSED FORM OF PROXY TO ATTEND AND ACT FOR SUCH SHAREHOLDER AT THE MEETING. Such right may be exercised by completing the enclosed form of proxy or by completing another appropriate form of proxy and, in either case, delivering or mailing the completed proxy to the Secretary of the Company before the Meeting.

Pursuant to subsection 4 of Section 142 of the Canada Business Corporations Act, any Shareholder may revoke a proxy previously given by submitting another proxy or other appropriate instrument in writing, executed by the Shareholder or by his attorney authorized in writing or, if the Shareholder is a corporation, executed by a duly authorized person, and depositing it either at the registered office of the Company located at 60 Birmingham Street, Toronto, Ontario, M8V 2B8, at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, or with the Chairman of the Meeting on the day of and up to the time of the Meeting or any adjournment thereof or in any other manner permitted by law.

THE ENCLOSED FORM OF PROXY WILL CONFER DISCRETIONARY AUTHORITY UPON THE PERSONS NAMED THEREIN WITH RESPECT TO AMENDMENTS TO THE MATTERS SET FORTH IN THE NOTICE AND WITH RESPECT TO ANY OTHER MATTERS THAT MAY PROPERLY COME BEFORE THE MEETING.

To the best of management's knowledge, the only business which will be presented for action at the Meeting is the business described in the Notice. IF AMENDMENTS TO THE MATTERS IDENTIFIED IN THE NOTICE OF THE MEETING OR IF OTHER MATTERS PROPERLY COME BEFORE THE MEETING, IT IS THE INTENTION OF THE PERSONS NAMED IN THE ENCLOSED FORM OF PROXY TO VOTE IN ACCORDANCE WITH THEIR JUDGEMENT ON SUCH MATTERS.

VOTING SHARES

As of October 31, 1985, the Company had outstanding 7,500,000 common shares. The Company's common shares are the only shares entitled to be voted at the Meeting and each such common share is entitled to one vote.

The record date for the determination of the persons entitled to receive notice of and to attend and vote at the Meeting is deemed by the Canada Business Corporations Act to be at the close of business on October 31, 1985, except to the extent that subsequent transferees become entitled to vote by complying with the requirements of subsection 2 of Section 132 of that Act.

As of October 31, 1985, Campbell Investment Company (a wholly-owned subsidiary of Campbell Soup Company) owned 5,250,000 common shares of the Company, representing seventy percent (70%) of the total outstanding common shares.

The Directors and Officers of the Company have no knowledge of any person or corporation other than Campbell Investment Company which beneficially owns or exercises control or direction over more than ten percent (10%) of the outstanding common shares of the Company.

A quorum at the Meeting will consist of Shareholders present in person or represented by proxy holding not less than a majority of the common shares.

ELECTION OF DIRECTORS

Under the Articles and By-Laws of the Company, the Board of Directors consists of a minimum of 3 members and a maximum of 15 members; the number of Directors within such range is to be determined by the Board from time to time. The Directors have determined that the Board of Directors shall consist of twelve (12) members. Directors are elected by the highest number of votes cast in respect of their election at the Meeting.

IT IS THE INTENTION OF THE PERSONS NAMED IN THE ENCLOSED FORM OF PROXY (IN THE EVENT THAT AUTHORITY IS NOT WITHHELD) TO VOTE IN FAVOUR OF THE ELECTION TO THE BOARD OF DIRECTORS OF THE TWELVE NOMINEES OF MANAGEMENT LISTED IN THE FOLLOWING TABLE (TEN OF WHOM ARE NOW MEMBERS OF THE BOARD) FOR TERMS TO EXPIRE AT THE CLOSE OF THE 1986 ANNUAL MEETING OF SHAREHOLDERS OR UNTIL A SUCCESSOR IS ELECTED OR APPOINTED.

MANAGEMENT DOES NOT CONTEMPLATE THAT ANY OF THE NOMINEES WILL BE UNABLE TO SERVE AS A DIRECTOR BUT SHOULD ANY NOMINEE FOR ANY REASON BECOME UNABLE BEFORE THE MEETING TO SERVE AS A DIRECTOR, THE PERSONS NAMED IN THE ENCLOSED FORM OF PROXY WILL VOTE FOR THE ELECTION OF ANOTHER NOMINEE TO THE OFFICE OF DIRECTOR IN THEIR DISCRETION UNLESS THE SHAREHOLDER HAS WITHHELD AUTHORITY FROM VOTING IN THE ELECTION OF DIRECTORS.

The table and notes below show as of October 31, 1985, (1) the name of each Nominee; (2) the present principal occupation or employment of each Nominee; (3) all other major positions and offices held by each Nominee with the Company and significant affiliated companies; (4) the period during which each Nominee has served as a Director; and (5) the number of common shares of the Company and of Campbell Soup Company beneficially owned by each Nominee or over which each Nominee exercises control or direction (unless otherwise indicated, no shares are owned, controlled or directed).

NOMINEE	Director Since	Common Shares of the Company
ALEXANDER M. WILLIAMS Chairman of the Board of the Company Executive Vice President, Campbell Soup Company (Convenience Foods) and member of its Board of Directors, and President Campbell International Division	November 5, 1982	See Note 1
*C. DAVID CLARK President and Chief Executive Officer of the Company	March 28, 1983	100
NAN-BOWLES DE GASPÉ BEAUBIEN Vice-President – Human Resources, Telemedia Inc. (Communications and Publishing)	Proposed Nominee	Nil
W. GODFREY DROVER Senior Vice President – Operations of the Company	September 23, 1981	200
JOHN H. GRISDALE Senior Vice President – Administration and Corporate Services of the Company	February 26, 1980	500
*JACQUES J. GIASSON Chairman of the Board and Chief Executive Officer, Groulx-Robertson Ltd. (Manufacture and Sale of Industrial Solvents)	November 28, 1978	Nil
EDWARD J. M. HUYCKE, Q.C. Partner, Osler, Hoskin & Harcourt (Barristers and Solicitors)	June 24, 1975	500
DR. BURTON C. MATTHEWS President, University of Guelph (Education)	September 21, 1978	100
DAVID R. McCAMUS Chairman of the Board, Chief Executive Officer and President, Xerox Canada Inc. (Manufacture, Marketing, Servicing and Financing of Reprographic and Business Systems Products)	Proposed Nominee	Nil
R. GORDON McGOVERN President and Chief Executive Officer, Campbell Soup Company (Convenience Foods), and member of its Board of Directors	November 5, 1982	See Note 1

NOMINEE	Director Since	Common Shares of the Company
GEORGE L. O'LEARY Chairman and Chief Executive Officer, Scott Paper Company Limited (Manufacture and Sale of Paper Products)	May 27, 1975	200
*JOHN A. RHIND Chairman of the Board, Confederation Life Insurance Company (Life Insurance)	September 21, 1978	500

* Member of the Audit Committee.

NOTES:

1. R. Gordon McGovern and Alexander M. Williams are Officers, Directors and Shareholders of Campbell Soup Company which owns all of the issued and outstanding shares in the capital stock of Campbell Investment Company. Alexander M. Williams is also an Officer of Campbell Investment Company. A statement of the beneficial ownership of shares in the capital stock of the Company by Campbell Investment Company may be found under "Voting Shares". R. Gordon McGovern owns 3,674 capital shares of Campbell Soup Company and Alexander M. Williams owns 13,895 capital shares of Campbell Soup Company.
2. W. Godfrey Drover owns 1,794 capital shares of Campbell Soup Company.
3. Information as to the number of common shares beneficially owned not being within the knowledge of the Company has been furnished by the Directors individually.
4. Nan-Bowles de Gaspé Beaubien has held the position of Vice-President, Human Resources (Telemedia Inc.) since 1981; prior to that time she held various senior positions with affiliated companies of Telemedia Inc. David R. McCamus has held the offices of Chairman of the Board, Chief Executive Officer and President (Xerox Canada Inc.) since 1982; prior to that time he was Vice President, Sales and Marketing of Xerox Canada Inc.
5. The Directors and Officers of the Company, as a group, are indemnified against certain liabilities pursuant to by-law provisions and a Directors and Officers Liability Insurance Policy maintained by Campbell Soup Company for itself and all of its affiliates, including the Company. That policy has an overall liability limitation of U.S. \$30,000,000 per year. The general effect of the indemnification, with certain exceptions, is that if a claim is made against a Director or Officer of the Company while acting as such in good faith and without dereliction of duty, indemnification will be provided for the losses, costs and expenses which the Director or Officer shall become obligated to pay. Campbell Soup Company pays the entire premium for the Directors and Officers liability insurance.

REMUNERATION OF DIRECTORS AND OFFICERS

The table on page 7 shows the aggregate remuneration paid or payable during the fiscal year ended July 28, 1985, to the Directors of the Company as Directors and, separately, to the Officers of the Company.

No remuneration was paid or payable to any Directors as such by any subsidiary of the Company.

No Director who receives salary as an Officer of the Company receives additional remuneration as a Director or member of any committee of the Board of Directors and neither of Mr. McGovern nor Mr. Williams (both of whom are also Directors and Officers of Campbell Soup Company) receives any remuneration from the Company or its subsidiaries or participates in any of its employee benefit plans.

The estimated aggregate cost to the Company and its subsidiaries in the fiscal year ended July 28, 1985, of all pension or retirement benefits proposed to be paid upon retirement at normal retirement age to Officers of the Company was \$105,619.

NATURE OF 1985 REMUNERATION

	Directors Fees	Salaries	Bonuses	Non- Accountable Expenses	Other ¹	Total
Remuneration of Directors who were not Officers (5 persons)	\$35,750	—	—	—	—	\$ 35,750
Remuneration of Officers who received in excess of \$40,000 (10 persons including 3 Officers who were also Directors)²	—	\$897,434	\$95,736	—	\$72,030	\$1,065,200
TOTAL	\$35,750	\$897,434	\$95,736	—	\$72,030	\$1,100,950

Note 1 — 'Other' includes automobile allowance, provincial medicare and life insurance.

Note 2 — Aggregate remuneration paid or payable to the Officers of the Company, as a group (10 Officers) was \$1,065,200.

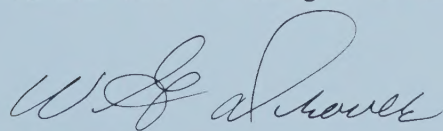
APPOINTMENT OF AUDITORS

At the Meeting, a motion will be made to appoint Price Waterhouse of Toronto as Auditors of the Company to serve until the close of the 1986 Annual Meeting of Shareholders at a remuneration to be fixed by the Directors. To become effective, the motion must be approved by a majority of the votes cast at the Meeting.

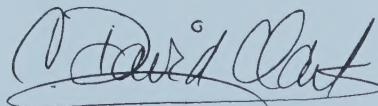
The Board of Directors recommends that the Shareholders vote in favour of such appointment, and IT IS THE INTENTION OF THE PERSONS NAMED IN THE ENCLOSED FORM OF PROXY TO SO VOTE (IN THE EVENT THAT AUTHORITY IS NOT WITHHELD).

DIRECTORS' APPROVAL

The Board of Directors of the Company has approved the contents of this Management Proxy Circular and its sending to the Shareholders.



W. Godfrey Drover
Director



C. David Clark
Director

October 31, 1985

